

# PENRITH CITY COUNCIL AREA

Property Watch®



Illustration: Landcom

An artist's impression of the new Landcom development in north Penrith

## PENRITH CITY COUNCIL MARKET OVERVIEW

The Penrith City Council is located on the Great Western Motorway and the Blue Mountain rail line, with the Penrith city centre providing services to a catchment area that also includes the Blue Mountains. The Council area is well supported by health, transport, sports and shopping facilities, adding to the amenity of the region. The local government area (LGA) is growing, albeit at a slower pace than the Sydney Metropolitan average, with government estimates predicting a 1% per annum population growth. It is expected that 211,000 residents will live in the City by 2031 compared to approximately 175,000 in 2012. There are currently 49 residential lots available for sale with an additional 60 being developed, putting the LGA in competition with the northwest and southwest growth corridors. However, given Penrith's established infrastructure and the proximity of new developments to the City's major facilities, it is expected to provide better long term returns than other growth areas.

### MARKET INDICATORS

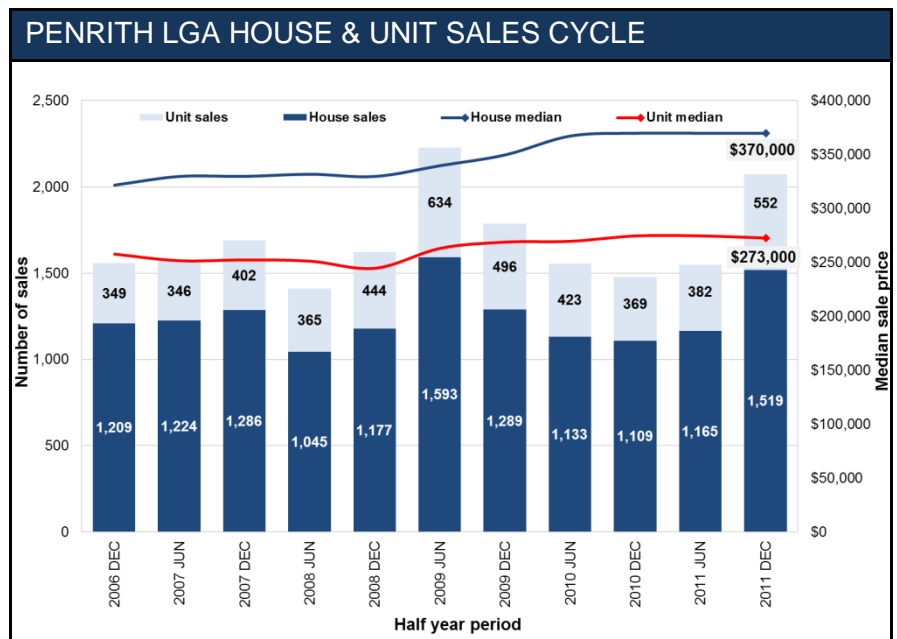
Change from Last	Year	Half Year
HOUSE SALES	↑	↑
HOUSE MEDIAN	↔	↔
HOUSE RENTS	↑	-
UNIT SALES	↑	↑
UNIT MEDIAN	↓	↓
UNIT RENTS	↑	-

The indicators are based on the year ending December 2011.

### KEY HIGHLIGHTS

- Given Penrith's established infrastructure and the proximity of new development to the City's major facilities, it is expected to provide better long term returns than other growth areas.
- The rental market has advanced significantly during the five years to December 2011, recording an increase of 46% for houses and 56% for units since 2006.

The median price for both houses and units in Penrith remained subdued over the past two years and recorded a slight increase over the five years to December 2011. Conversely, the rental market has advanced significantly during the same period, with December 2011 figures representing an increase of 46% for houses and 56% for units from the December 2006 figures. The rental returns have also improved since 2006, with a median gross yield on a house increasing from 4.2% in 2006 to 5.3% in 2011, and unit rental yield increasing from 3.5% to 5.2% in 2011. The median rent price for a three bedroom house closed the December quarter at \$370 per week, while the rent for a two bedroom unit increased by 12% from 2010 to \$280 per week.



Prepared by PRDNationwide Research. Source: PDS

**Sixty two per cent** of houses sold for **\$400,000 or less** in 2011 making the **Penrith area** attractive to first home buyers.

The trend of higher rent prices offsetting capital growth is common in more regional areas of the state where limited development and strong demand has led to higher rent prices. In Penrith's case, a development pipeline exists, with several land releases such as Waterside, Llandilo's Jordan Springs and Glenmore Ridge are currently in advanced selling stages. The new Landcom development has commenced in late 2011 on the old army barrack site in north Penrith and is expected to add 1,000 dwellings to the region upon completion. The Council is currently reviewing the Penrith Panthers Master plan, which outlines the subdivision and land uses around the Mulgoa Road club.

### House Market

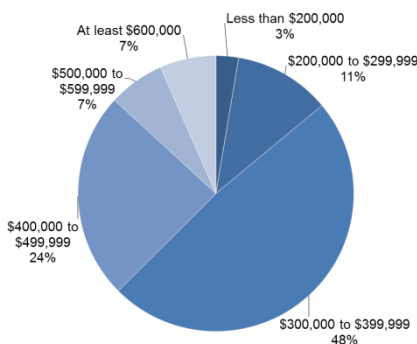
House activity in the second half of 2011 improved from the two previous periods, recording 1,519 transactions. The 30% increase from December 2010 is partially attributed to the changes in stamp duty legislation for first home buyers that took effect from 1 January 2012. With 62% of the houses in Penrith selling for \$400,000 or less, first home buyers could enter the market more easily than in other parts of Sydney. Almost half (48%) of houses transacted in the \$300,000 to \$400,000 bracket, while toward the top end of the market, seven per cent transacted for \$600,000 plus. These were typically larger lots, with a median size of 1,783 square metres.

Despite a slow growth in median price, vendors who exited the market during 2011 experienced an average capital increase of 4.1% per annum. This figure is based on a resale analysis conducted by PRDnationwide Research for all detached houses that sold in the 2011 calendar year. The analysis further found an average holding period between resales of 10 years and seven months.

### Unit Market

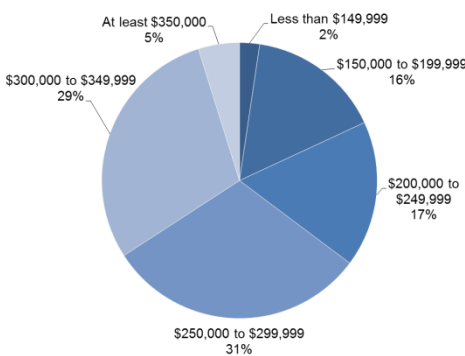
Limited supply of well-positioned units has led to a steady growth in rent prices, a trend that is likely to continue in the short term. In the medium and long term new developments such as the one in north Penrith and several medium and high density infill projects in St Marys, Oxley Park and Penrith will bring the market back to equilibrium. The 45% increase in unit activity is a result of the change to stamp duty policy. The 552 transactions in 2011 were 25% above the five year average and indicates strong demand for unit living in the Penrith Council area. A price point analysis identified the \$250,000 to \$299,999 as the largest price bracket, capturing 31% of transactions, while units selling between \$300,000 and \$349,999 followed with 29%. The median price softened slightly from 2010 to close 2011 at \$273,000. It is expected that new units and townhouses selling at higher price points will lead to a stronger median price in 2012 and 2013. It will also provide larger diversity of stock that will diversify the pool of potential purchasers.

### HOUSE PRICE POINTS



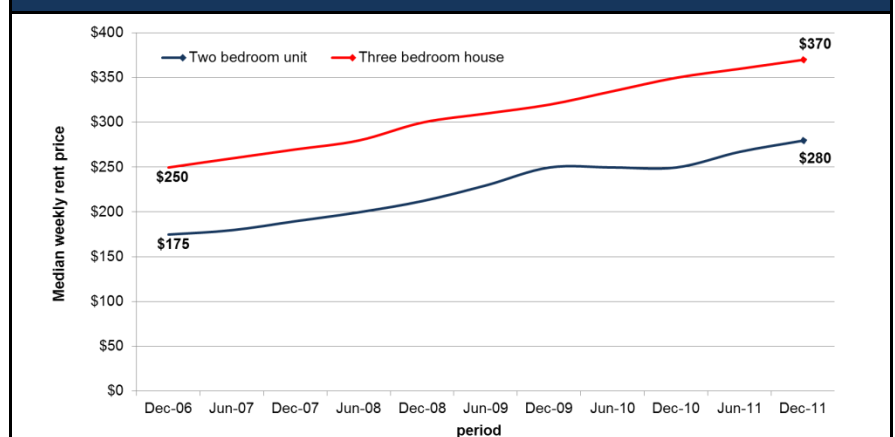
Prepared by PRDnationwide Research. Source: PDS

### UNIT PRICE POINTS



Prepared by PRDnationwide Research. Source: PDS

### FIVE YEAR RENTAL GROWTH



Prepared by PRDnationwide Research. Source: Housing NSW